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Reply to
Nashville Office

July 28, 2005

Hand-delivered

Chairman Ron Jones
Attn: Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

RE: Wastewater Regulations Rulemaking
Wastewater Comments Docket No. 05-00105

Dear Chairman Jones:

The proposed rules regarding Chapter 1220-4-12 of the Wastewater Regulations represent an outstanding effort by the Agency staff to consider all long term contingencies associated with provisioning wastewater sewer services. As drafted, these rules are consistent with the level of approach taken in the regulation of other utilities such as gas and telecommunications. Generally, utility services require enormous amounts of start-up and working capital to ensure customer satisfaction and protection. In the current environment, however, these small, site specific systems are different and require a different regulatory approach in order to achieve viability. The TRA should consider certain factual distinctions between these facilities and other utilities in designing the regulatory scheme as follows:

1. To date, the average number of end user customers per system is approximately thirty (30);
2. The systems are site specific and are not designed to service a large number of customers;
3. Most system service areas are located in the fringe of more populated areas which will be absorbed by another utility before the end of the useful life of the system;
4. System maintenance, repair and replacement costs are relatively low; and
5. This concept of supplying shorter-term waste water sewer service is important to the economic development of Tennessee's rural communities.

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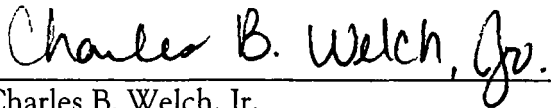
Based upon these factual assumptions, the proposed rules should embrace a regulatory scheme designed to accommodate the size, cost and purpose of the systems. We encourage the TRA to consider adopting rules which include certain components as follows:

1. A streamlined process for the consideration of applications of existing utilities for expansion of service area to service a new development;
2. A standardized tariff or schedule of rates with a range based on the size of the system and number of customers; and
3. A standardized schedule of bond or financial security requirements with a range based on the cost of the system, the number of customers, the record of operation of the utility, and the bonding requirements of any other governmental entities.

In short conclusion, the obligations imposed on the utility by the proposed regulatory rules should be consistent with the size of the project and the interests to be protected.

Very truly yours,

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